State pensioners income to be slashed by £800 next year amid cost of living crisis

STATE PENSIONERS could see their income slashed by more than £800 next year amid the ongoing cost of living crisis despite their payments increasing.

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Older Britons are preparing for a boost to their state pension payments next year with the return of the triple lock. However, experts are warning that their income will be cut by over £800 in 2023 in real terms despite this payment hike. This is primarily due to the cost of living crisis which has seen inflation and energy bills skyrocket in recent months, with more record increases on the way.

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Incomes for older residents in the UK are set to receive a boost with inflation hitting 10.1 percent and the return of the triple lock

The triple lock is a promise made by the Government to raise pension payments by either inflation, average earnings or 2.5 percent; whichever is the highest rate.

Last year, the pledge was temporarily scrapped due to earnings being artificially inflated following the Covid-era furlough scheme.

As a result, pensioners only saw their state pension go up by 3.1 percent, in line with the Consumer Price Index (CPI) inflation rate for the year to September 2021.

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Pensioners income to be slashed

State pensioners income to be slashed by £800 next year amid cost of living crisis (Image: GETTY)

With inflation continuing to rise, state pension payments are expected to rise by £1,000 next year based on the 10.1 percent rate.

However, research conducted by Citigroup estimates that inflation could reach as high as 18.6 next year.

If this becomes reality, over 12 million pensioners will see their income slashed in real terms by £800.

This is due to the state pension increase falling short of inflation for the second consecutive year in a row.

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Pensioners would need to see their payments go up by £1,827 in order for them to maintain the same standard of living.

As it stands, the new state pension is set to rise by £18.70 a week next year, from £185.15 to £203.85.

In comparison, the basic state pension is predicted to increase from £141.85 to £156.20 for those who reached the age of 66 prior to 2016.

These real-term income cuts come amid the rise in energy bills which is exacerbating the cost of living crisis.

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How much is the state pension currently? (Image: EXPRESS.CO.UK)

Earlier this week, it was confirmed the energy price cap will surpass £3,500 and current forecasts suggest the average household bill could exceed £4,200 in January 2023.

The cost of living crisis has placed further anxiety on pensioner households who are already struggling to make ends meet.

Steven Cameron, the Pensions director at Aegon, shared his concern for the future of state pensions and their relationship to inflation.

Mr Cameron explained: "But the longer term question is whether in these unprecedented times, with inflation on a rollercoaster ride, does it make sense to base state pension increases on a year by year calculation.

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"Using fixed dates, well ahead of the actual April increases, adds further to unpredictability and can lead to inequalities between those of working age whose earnings may be increasing at a very different rate from state pension increases, but whose NI contributions pay for state pensions.

"Moving to a formula which averages these indicators out over say a three year period would still protect pensioners, but would average out the peaks and troughs, and arguably create a fairer and more predictable outcome for all concerned.”

To help those on the state pension, the Government has launched a £300 payment for older households to assist with the cost of living.

Furthermore, state pensioners on low income who claim Pension Credit will be eligible for the Government's £650 cost of living payment.